GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2589
ANSWERED ON:18.08.2006
PERFORMANCE OF RRBS
Pallani Shamy Shri K.C .

Will the Minister of FINANCE be pleased to state:

(a) the number of Regional Rural Banks functioning in the country, State-wise ;

(b) the profits and losses suffered by these banks during the last three years, State-wise ;

(c) the reasons for incurring losses, if any; and

(d) the steps taken by the Government to make loss making RRBs into profitable.

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) and (b) As on 31st March 2006, 133 Regional Rural Banks (RRBs) were functioning in the country.The State-wise number of RRBs making profits and losses during the last three years, is given in the statement enclosed,

(c) The main reasons of losses in RRBs are limited area of operation, low volume of business, narrow banking, high establishment and administrative cost, low margin and high percentage of Non-performing Assets due to poor recovery of loans, accumulated losses which are non-income generating assets in the RRBs.

(d) As recommended by the Advisory Committee on flow of credit to Agricufture and related activities (Vyas Committee), Government has initiated the first phase of amalgamation of RRBs to make them viable and profitable units. As on 31st March, 2006,Government has issued notifications amalgamating 89 RRBs into 26 new entities. Other steps taken to improve the performance of RRBs are as under :

RRBs have been allowed to finance non-target group.

Shifting of non-viable branches to business potential places.

Relaxation in service area Approach.

De-regulation of interest on deposit and advances.

Relaxation in investment norms.

To devise new products and also venture into non-banking activities viz. sale of insurance policies,disbursement of pension and handling Government business.

NABARD has also been imparting/supporting training for skill upgradation of RRB officials,conducting Organizational Development Intervention, Exposure visits, etc.to build capacity and enhance efficiency.